



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**NEW MEXICO STEAM LOCOMOTIVE
AND RAILROAD
HISTORICAL SOCIETY**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For The Year Ended December 31, 2018
With Comparative Totals for 2017**

**New Mexico Steam Locomotive & Railroad Historical Society
Financial Statements
For the Year Ended December 31, 2018, With Comparative Totals For 2017**

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**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.**

Official Roster

As of December 31, 2018

Name	Position
Michael F. Hartshorne	President
Dave Van De Valde	Vice President
Gail Kirby	Secretary
John Gibbons	Treasurer
Rick Kirby	Chief Mechanical Officer
Larry Lukens	Member
Don MacCornack	Member
Rick Bugge	Webmaster
Jon Spargo	Safety Officer, Ex Officio

Independent Auditor's Report

Board of Directors
New Mexico Steam Locomotive
and
Railroad Historical Society, Inc.
Albuquerque, New Mexico

Report on Financial Statements

We have audited the accompanying statement of financial position of the New Mexico Steam Locomotive and Railroad Historical Society, Inc. (a nonprofit organization) (the Society) as of December 31, 2018, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, in making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Mexico Steam Locomotive and Railroad Historical Society, Inc. at December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New Mexico Steam Locomotive and Railroad Historical Society, Inc.'s 2017 financial statements, and in our report dated April 26, 2018, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter—New Reporting Model

RGFP adopted FASB accounting standards update (ASU) 2016-14. Presentation of Financial Statements of Not-For-Profit Entities, as described in Note 2. The changes required by the update have been applied retrospectively to all periods presented

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
April 5, 2019

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2018 With Comparative Totals For 2017**

ASSETS

	2018	2017
Current Assets		
Cash, restricted cash and cash equivalents	\$ 214,540	211,141
Receivables	2,000	-
Prepaid expense	855	855
Deposits	3,230	3,230
Inventory	7,934	5,978
Total current assets	228,559	221,204
Property and Equipment		
Operating equipment	79,725	74,725
Storage equipment	29,409	29,409
Leasehold improvements	167,869	159,777
Portable building	11,422	4,115
Locomotive shed	109,811	109,811
Work in progress	9,675	9,675
	407,911	387,512
Less accumulated depreciation	(200,865)	(179,745)
Property and equipment - net	207,046	207,767
Steam locomotive/tool car/tender	2,870,735	2,536,867
Total assets	\$ 3,306,340	2,965,838

NET ASSETS

Net Assets

Net Assets without Donor Restrictions

Undesignated	178,750	175,246
Investment in property and equipment, net	207,046	207,768
Investment in steam locomotive and tender	2,870,735	2,536,867

Net Assets with Donor Restrictions

Purpose restricted	49,809	45,957
Time restricted	-	-

Total net assets	3,306,340	2,965,838
Total net assets	\$ 3,306,340	2,965,838

See accompanying independent auditor's report and notes to financial statements.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2018 With Comparative Totals For 2017

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Sale of promotional items	\$ 29,747	-	29,747	14,686
Cost of sales	(9,543)	-	(9,543)	(7,415)
Net sales revenue	<u>20,204</u>	-	20,204	<u>7,271</u>
Contributions	96,007	24,843	120,850	105,019
Contributions in-kind	255,763	-	255,763	310,402
Memberships dues	16,672	-	16,672	17,160
Grant revenues	55,000	-	55,000	20,000
Gain on sale of assets	1,000	-	1,000	-
Miscellaneous revenue	1,200	-	1,200	534
Net assets released from restrictions	20,991	(20,991)	-	-
Total support	<u>446,633</u>	<u>3,852</u>	450,485	<u>453,115</u>
Total revenue and support	<u>466,837</u>	<u>3,852</u>	470,689	<u>460,386</u>
Expenses				
Program services	114,200	-	114,200	88,479
Fundraising	2,896	-	2,896	3,890
General & administration	13,091	-	13,091	11,900
Total expenses	<u>130,187</u>	<u>-</u>	130,187	<u>104,269</u>
Change in net assets	336,650	3,852	340,502	356,117
Net assets, beginning of year	<u>2,919,881</u>	<u>45,957</u>	2,965,838	<u>2,609,721</u>
Net assets, end of year	<u>\$ 3,256,531</u>	<u>49,809</u>	3,306,340	<u>2,965,838</u>

See accompanying independent auditor's report and notes to financial statements.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018 With Comparative Totals For 2017**

	Program Services	Support Services		2018 Totals	2017 Totals
		Fund- Raising	General & Administration		
Volunteer services	\$ 31,070	1,828	3,655	36,553	30,079
Shop supplies	12,661	-	-	12,661	5,520
Repairs and maintenance	12,444	-	-	12,444	564
Rent and leases	10,050	-	-	10,050	11,400
Vehicle expense	6,794	-	-	6,794	2,487
Professional services	-	-	6,665	6,665	6,439
Large equipment and tools	5,587	-	-	5,587	3,646
Insurance	2,609	-	-	2,609	1,242
Equipment rental	2,189	-	-	2,189	2,430
Postage and delivery	688	860	172	1,720	743
Telephone	797	-	797	1,594	1,890
Advertising and promotion	1,181	-	-	1,181	1,095
Security service	577	-	577	1,154	952
Small tools	1,138	-	-	1,138	1,683
Credit card fees	-	-	1,030	1,030	821
Utilities	988	-	-	988	1,227
Printing and reproduction	959	-	-	959	7,747
Miscellaneous	945	-	-	945	30
Internet expense	749	-	-	749	676
Information technology	656	-	-	656	578
Licenses and permits	595	-	-	595	50
Computer equipment and supplies	-	196	195	391	275
Dues and subscriptions	233	-	-	233	45
Office expense	124	-	-	124	55
Travel and entertainment	46	12	-	58	1,335
Fundraising	-	-	-	-	1,609
Total expenses before depreciation	93,080	2,896	13,091	109,067	84,618
Depreciation	21,120	-	-	21,120	19,651
Total expenses	\$ 114,200	2,896	13,091	130,187	104,269

See accompanying independent auditor's report and notes to financial statements.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018 With Comparative Totals For 2017**

	2018	2017
OPERATING ACTIVITIES		
Cash received from:		
Sale of promotional items	\$ 20,204	7,271
Contributions	120,850	105,019
Grant revenue	55,000	20,000
Memberships dues	16,672	17,160
Other revenue	1,200	534
Total cash received	213,926	149,984
Cash paid to:		
Vendors and suppliers	(62,694)	(41,328)
Net cash provided (used) by operating activities	151,232	108,656
INVESTING ACTIVITIES		
Work on locomotive/tool car/tender	(127,434)	(60,169)
Purchase of property and equipment	(20,399)	-
Net cash (provided) used by investing activities	(147,833)	(60,169)
Net (decrease) increase in cash and cash equivalents	3,399	48,487
Cash, cash equivalents and restricted cash, beginning of year	211,141	162,654
Cash, cash equivalents and restricted cash, end of year	\$ 214,540	211,141
Reconciliation of change in net assets to cash provided (used) by operating activities		
Change in net assets	\$ 340,502	356,117
Depreciation expense	21,120	19,651
Capitalized contributions in-kind	(205,434)	(260,096)
Gain on sales of assets	(1,000)	-
Decrease (increase) in receivables	(2,000)	-
Decrease (increase) in deposits	-	(3,230)
Decrease (increase) in inventory	(1,956)	2,366
Increase (decrease) in accounts payable	-	(6,152)
Net cash provided (used) by operating activities	\$ 151,232	108,656
Supplementary data for non-cash operating activities:		
In-kind Contributions	\$ 255,763	310,402

See accompanying independent auditor's report and notes to financial statements.

**NEW MEXICO STEAM LOCOMOTIVE AND
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018 With Comparative Totals for 2017**

NOTE A—NATURE OF OPERATIONS

The New Mexico Steam Locomotive & Railroad Historical Society (Society) was formed in 1997 by a small group of concerned citizens who wanted to save Santa Fe engine number 2926 from decay and neglect. A Baldwin built 4-8-4 Northern, built during the war years in 1944 had been on display in Albuquerque's Coronado Park since the mid 1950's. The plan of the Society is to restore the engine to running condition and use it to promote tourism in New Mexico and educate the public on the strong ties the economic development of the State has with rail transportation.

By 2003, actual restoration had begun, and since then more than 185,000 volunteer hours have been spent on the project. The organization is a 501(c) (3) non-profit and has no paid employees. In 2018 the engine was steamed up for the first time since 1953. The Society expects to begin operational tests by fall of 2019. The project has been funded by contributions of time, materials and monies received from members, individuals, companies and organizations from all walks of life from all parts of the world. Less than 1/2 of 1% of total contributions have come from government funding.

The Society estimates that \$33,500 in additional funds are required to complete the restoration of the engine and tender. A tool car project is expected to be completed in 2020 at a cost of \$127,000.

The Society's goals are as follows:

- Accurately preserve, restore, operate and display an engine that represents the epitome of steam locomotive technology in the United States.
- Provide an informational and educational program applicable to all ages that creates interest, awareness and an appreciation of the importance of railroads in the development of the greatest nation in the world.
- Participate at the highest levels possible with city, county, state and national organizations in the promotion of railroad history and rail tourism.
- Serve as a bridge to modern day railroading and its continuing impact on the economy of the United States.

NOTE B—SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Society have been prepared on the accrual basis. The significant policies followed are described below:

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: Net assets with donor restrictions and net assets without donor restrictions are defined as follows:

Net Assets without Donor Restrictions—Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The organization's Board of Directors may designate assets without donor restrictions for specific operational purposes from time to time.

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The undesignated net assets represent the investment in undesignated assets and amounts invested in property and equipment, less accumulated depreciation and amortization and any related debt.

Net Assets with Donor Restrictions—Net assets are the result of contributions and other inflows of assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions can be fulfilled and removed by actions of the organization pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature. Net assets perpetual in nature result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the Society. At December 31, 2018, the Society reported no net assets perpetual in nature.

Donor restricted assets are as follows:

Donor Restricted	2018	2017
Tool car	\$ 49,809	45,957

New Accounting Pronouncement

During 2018, the Society adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Society’s liquidity, financial performance, and cash flows. The ASU has been applied retrospectively to all periods presented.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require the use of management’s estimates. Accordingly, actual results could differ from these estimates.

Cash, Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the Society considers all restricted and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fair Value Measurements

The fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

ASC 820-10 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

ASC 820-10 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820-10 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs

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other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

The Society has no assets that are required to be reported using the above criteria.

Fair Value of Financial Instruments

The carrying amounts of cash, restricted cash and cash equivalents, receivables, payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments. The fair value of long-term debt is the carrying value due to the adjustable market rate of interest. Impairment reserves are provided as necessary.

Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. These expenses require allocation on a reasonable basis that is consistently applied.

The expenses are allocated as follows:

<u>Natural Expense Category</u>	<u>Basis</u>
Volunteer services	Estimates of effort and time
Rent and leases	All used for program
Printing and reproduction	All used for program
Professional services	All used for general and administrative
Shop supplies	All used for program
Large equipment and tools	All used for program
Vehicle expense	All used for program
Equipment rental	All used for program
Telephone	Estimates of use
Small tools	All used for program
Travel and entertainment	Estimates of use
Fundraising	All used for fundraising
Insurance	All used for program
Utilities	All used for program
Advertising and promotion	All used for program
Security service	Estimates of use
Credit card fees	All used for general and administrative
Internet expense	All used for program
Information technology	All used for program
Postage and delivery	Estimates of use
Repairs and maintenance	All used for program
Computer equipment and supplies	Estimates of use
Office expense	All used for program
Licenses and permits	All used for program
Dues and subscriptions	All used for program
Miscellaneous	All used for program
Depreciation	All used for program

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Inventory

The Society has inventory of promotional items for sale which are valued at cost of \$7,934.

Inventory is recorded on a first-in, first-out (FIFO) basis. They are reported at the lower of cost or market, which is recorded as an expenditure at the time individual items are used.

Revenue

The organization receives a majority of its revenue from charitable contributions and grants that are generally available for unrestricted use unless specifically restricted by the donor.

Income Taxes

The Society is a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Society currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

Contributions to the Society qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Service Code. The Society is not a private foundation.

The Organization files its Federal Form 990 tax return in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico. The Organization is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2015. The organization is not currently under audit nor has the organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2018 and 2017, advertising expenses incurred totaled \$1,181 and \$1,095 respectively.

Donated Services and Assets

The Society pays for most services requiring specific expertise. Donated services that required specific expertise were recorded at their estimated fair value, in accordance with ASC 958-605, "Accounting for Contributions Received and Contributions Made."

The Society receives donations of assets from corporations and individuals. Non-cash donations are recorded as in-kind contributions at their estimated fair values at the date of donation. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Society has no donor-restricted assets to report as of December 31, 2018 and 2017.

In addition, a substantial number of volunteers have donated significant amounts of their time in the Society's programs and in its fund-raising campaigns, which were not recognized in the financial statements because they did not meet the criteria for recognition under ASC 958-605. General labor services that did not meet the definition of specific expertise and therefore were not included in the financial statements amounted to 2,105 hours at the rate of \$8 per hour amounted to \$16,842 for

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the year ended December 31, 2018 and 996 hours at a rate of \$8 per hour amounted to \$7,970 for 2017.

Donated Services and Assets		2018	2017
Steam Locomotive (capitalized)	\$	205,434	217,406
Accounting/Computer Services/Fundraising		36,553	29,979
Land and Equipment Lease		10,050	11,400
Inventory of Promotional Items		1,671	-
Shop Supplies		758	1,387
Computer		683	631
Dues		200	-
Equipment repairs		156	-
Miscellaneous		101	70
Office		95	-
Fuel		62	-
Tool Car		-	42,690
Printing and Reproduction		-	4,755
Fundraising		-	1,607
Small Tools		-	307
Postage and delivery		-	170
Total	\$	255,763	310,402

Property, Equipment and Depreciation

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. The Society capitalizes all expenditures for property and equipment with a cost of \$5,000 or more. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterment's and replacements are capitalized.

The major classifications of property and equipment and the related depreciable lives are as follows

Classification	Depreciable Lives
Building and Improvements	5 – 30 years
Land Improvements	15 years
Furniture, Fixtures, and Equipment	3 – 7 years

Impairment of Long-Lived Assets

The Society accounts for long-lived assets in accordance with the provisions of FASB Accounting Standards Codification (ASC) 360-10 and subsections. Under ASC 360-10, the Society is required to review long-lived assets for the impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net

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cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain reclassifications may have been made to 2017 amounts to conform to 2018 presentation.

Contingencies

Amounts received from grantor agencies and other third parties are subject to audit and adjustment by these entities. Any disallowed claims, including amounts already collected, may constitute a liability of the Society. The amount, if any, of expenses which may be disallowed cannot be determined at this time, although the Society expects such amount, if any, to be immaterial.

NOTE B—STEAM LOCOMOTIVE AND ROLLING STOCK—HISTORICAL TREASURE

The Society's Steam Locomotive/tender and caboose are considered a historical treasure since it meets the following criteria:

- Held for exhibition to the public and educational purposes
- It is protected, cared for, and preserved
- It is subject to a policy requiring any proceeds from its sales to be reinvested in other historical treasures.

<u>Steam Locomotive and Rolling Stock</u>	<u>2018</u>	<u>2017</u>
Santa Fe 2926 Locomotive/tool car/tender	\$ 2,870,735	2,535,867
Additional Rolling Stock (caboose and two cars)	-	1,000
Total	\$ <u>2,870,735</u>	<u>2,536,867</u>

There is no depreciation expense associated with the Society's historical treasure at this time since it is in the process of being restored. Once the project is completely restored, an estimated life for the locomotive will be estimated and depreciation will be recorded accordingly.

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NOTES TO FINANCIAL STATEMENTS**

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NOTE C—CASH AND CASH EQUIVALENTS

Cash consists of the following as of December 31:

<u>Cash and Cash Equivalents</u>	<u>2018</u>	<u>2017</u>
Cash in Checking	\$ 9,903	23,939
Cash in Savings	6	6
Money Market	154,772	91,189
Designated and Restricted		
Cash - Tool Car	49,809	95,957
Cash Box	50	50
Total	\$ <u>214,540</u>	<u>211,141</u>

NOTE D—PROPERTY, EQUIPMENT AND DEPRECIATION

Major classes of property, equipment, and accumulated depreciation are as follows at December 31:

<u>Property and Equipment</u>	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
Operating Equipment	\$ 74,725	5,000	-	79,725
Storage Equipment	29,409	-	-	29,409
Portable Buildings	4,115	7,307	-	11,422
Leasehold Improvements	159,777	8,092	-	167,869
Locomotive Shed	109,811	-	-	109,811
Work in Progress	9,675	-	-	9,675
Subtotal	<u>387,512</u>	<u>20,399</u>	<u>-</u>	<u>407,911</u>
Less: Accumulated				
Depreciation	<u>(179,745)</u>	<u>(21,120)</u>	<u>-</u>	<u>(200,865)</u>
Total	\$ <u>207,767</u>	<u>(721)</u>	<u>-</u>	<u>207,046</u>

Depreciation expense for the year ended December 31, 2018 was \$21,120 and \$19,651 in 2017.

NOTE E—OPERATING LEASES

The Society entered into a five-year lease agreement for the usage of land that renewed in 2016 for \$10 for the five-year term. The Society also entered into a lease for a railcar mover that is open ended. Both the land lease and railcar mover lease are in-kind contributions. Both leases do not require the Society to be held to any commitment.

NOTE F—RELATED PARTY

During the years ended December 31, 2018 and 2017, a board member was married to another board member.

NOTE G—ECONOMIC DEPENDENCY

The Society receives a significant portion of its revenues in the form of contributions and contributions in-kind. The Society expects these sources of revenue to continue into the foreseeable future. If, however, a significant portion of these contributions are not continued, the Society's ability to continue would be diminished. The following is a summary of concentrations from contributions and contributions in-kind as of December 31:

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NOTES TO FINANCIAL STATEMENTS
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		<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Contributions	\$	<u>120,850</u>	<u>26%</u>	105,019	23%
Contributions in-kind		<u>255,763</u>	<u>54%</u>	310,402	67%
	\$	<u><u>376,613</u></u>	<u><u>80%</u></u>	<u><u>415,421</u></u>	<u><u>90%</u></u>
 Total revenues	 \$	 <u><u>470,689</u></u>		 <u><u>460,386</u></u>	

NOTE H—LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Society regularly monitors liquidity to meet its cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designations, the nature of the underlying assets, external limitations imposed by donors or contracts with others. The Society is not substantially supported by restricted grants. Because a donor's restriction required resources to be used in a particular manner or in a future period. The Society must maintain sufficient resources to meet those responsibilities to its donors. These financial assets may not be available for general expenditure within one year. As part of The Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Liquidity is as follows:

Financial assets, at year end	\$	<u>2018</u> <u>228,559</u>
Less those unavailable for general expenditures with in year, due to:		
Due to others		-
Restricted by donor with purpose restrictions		<u>(49,809)</u>
Restricted by donor with time restrictions		-
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>178,750</u></u>

NOTE I—EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Society recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position date, including the estimates inherent in the process of preparing the financial statements. The Society's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The Society has evaluated subsequent events through April 5, 2019, which is the date the financial statements were available to be issued.



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**NEW MEXICO STEAM LOCOMOTIVE
AND RAILROAD HISTORICAL
SOCIETY**

**MANAGEMENT ADVISORY LETTER
For The Year Ended December 31, 2018**



Management Advisory Letter

Board of Directors
New Mexico Steam Locomotive and
Railroad Historical Society, Inc.
Albuquerque, New Mexico

Management of the New Mexico Steam Locomotive and Railroad Historical Society, Inc. (a nonprofit organization) (Society) is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as described above.

This communication is intended solely for the information and use of management and others within the organization to which the Society is receiving grant funds and is not intended to be and should not be used by anyone other than these specified parties.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
April 5, 2019

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.
SCHEDULE OF MANAGEMENT ADVISORY COMMENTS
For the Year Ended December 31, 2018**

PRIOR YEAR COMMENTS

None

CURRENT YEAR COMMENTS

None